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OUTCOME OF THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT: DRAFT DECLARATION AND DRAFT PROGRAMME OF ACTION

Expert Meeting on Poverty

Note by the Secretary-General

1. The Preparatory Committee for the World Summit for Social Development, in decision 1/2 B, adopted at its first session, encouraged the United Nations, the United Nations system, Member States and other concerned actors in the preparatory process of the Summit to organize seminars, workshops and other expert meetings on issues of direct relevance to the Summit, including, in particular, the question of the reduction and elimination of poverty. The purpose of the meetings, as indicated by the Preparatory Committee at its organizational session, would be to provide expert opinion on contemporary research on the core issues, with respect to both problem analysis and policy measures.

2. Two expert meetings were organized in 1993: an expert meeting on social integration and an expert meeting on the expansion of productive employment. The reports of those meetings were submitted to the Preparatory Committee at its first session, in documents A/CONF.166/PC/8 and A/CONF.166/PC/9, respectively.

3. An expert meeting on poverty was organized at Lusaka, Zambia, from 27 to 29 June 1994, at the invitation of the Government of Zambia, and with financial support from the Netherlands and Denmark. The meeting was organized jointly by the United Nations and the World Bank.

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* A/CONF.166/PC/14.

4. International experts in the field of poverty were invited to participate in the meeting as individuals. The experts were selected to reflect experiences in a variety of countries in different parts of the world and in different institutions, including educational and research institutions, government agencies, non-governmental organizations and international organizations.

5. A summary of the discussion of the expert meeting, prepared by the Secretariat, is annexed to the present note.

Annex

EXPERT MEETING ON POVERTY

(Lusaka, Zambia, 27-29 July 1994)

Summary of the discussion

INTRODUCTION

1. The Expert Meeting on Poverty was opened by the Honourable Ronald Penza, Minister of Finance of the Republic of Zambia. Mr. Penza noted that Zambia had experienced economic decline and an increase in poverty since the 1970s, due in part to the steep decline in copper prices and the rise in petroleum prices, as well as to the more recent drought. The Government was unable to respond effectively to those external developments for a number of reasons, including the single-party political system and economic management that was subverted to political expediency. He noted that during the 1960s and early 1970s, state intervention in the economy had initially increased production and employment and provided people with subsidized basic goods and services. The economic surpluses required to support that system, however, disappeared with the decline in copper prices, and attempts to maintain the system led to increasing, and eventually unsustainable, foreign debt. The result was a deterioration in income, income distribution, employment, health, education, child mortality and physical and social infrastructure.

2. Mr. Penza noted that the new Government, elected through multi-party elections in 1991, was now giving priority to economic reform and poverty alleviation. Reform objectives and measures included eliminating budget deficits and reducing inflation; eliminating subsidies to uneconomic enterprises so that the resources could be used to improve education, health care and infrastructure such as roads; increasing reliance on markets to allocate goods and services; improving the capacity of government institutions for policy reform and economic management; strengthening revenue collection and making it more equitable; increasing competition to promote the efficiency of enterprises; and supporting community development and small-scale enterprises. The Government believed that those new economic policies would be more responsive to the needs of the poor than the previous state-centred policies. It also recognized the importance of rebuilding public confidence in the Government and in its ability to promote economic growth and social development and to reduce poverty.

3. The expert group, in beginning its discussions, noted that developing countries had achieved substantial gains in living standards over the past 25 years: health indicators showed continuous and stable improvements in all regions; average life expectancy increased from 51 to 63 years; and primary-school enrolment reached 89 per cent. However, the record has not been one of steady improvement over that period, and the regional variations have been great. While Asian countries as a group enjoyed improvements in economic and social conditions since the late 1970s, the record of those in Africa and Latin America and the Caribbean deteriorated during the 1980s. On the whole, the

record of progress in social indicators has been slowest in the countries where the need is greatest, especially those in sub-Saharan Africa.

4. In spite of the tremendous progress accomplished so far, the challenge ahead is great. Although the proportion of population living in poverty has fallen slightly since 1985, the absolute number of poor people actually rose to 1.1 billion in 1990, 8 per cent more than in 1985. If this rate is maintained, 1.3 billion people will be living in poverty in the year 2000. Projections to the year 2000 indicate that the largest increase in the number of poor people would take place in Africa, and the gap between Africa and the rest of the world would continue to widen. Unabated, the steady growth in population in the developing world would strain the capacity of the existing weak social sector ministries and dampen potential progress, particularly in many of the low-income countries. In the past, the provision of social services in many countries has been taken as a right of citizenship, with a focus on expansion of services outweighing the need for quality and long-term policy reforms in the sectors. If Governments are to lay a sound foundation for the much-needed quality improvements and expansions in provision of social services in a large part of the developing world, the focus would have to be redirected to implementing the much-needed policy reforms in the relevant sectors. In the long run, the poorest segments of society would be the real losers from continued policy distortions, both at the sector and macroeconomic levels.

5. Looking ahead, the wide disparities that exist within many countries between the rich and the poor are likely to continue, especially in South Asia and Latin America and the Caribbean. The global poverty picture will be further complicated by the rapidly changing poverty situation in the transition economies of the former Soviet Union and Eastern Europe. While many people in those countries are escaping poverty through new opportunities, others are falling into poverty because of inflation and very rapidly changing economic structures. Growing inequalities in income distribution in developed countries are also adding new dimensions to the global poverty picture. Within many countries, gaps between men and women, between indigenous groups and the rest of the population, and between urban and rural areas are proving hard to overcome through labour-intensive growth and basic investments in human resources. The expert group recognized the need for other remedies and noted the importance of the World Summit for Social Development as a pivotal opportunity for the international community at large to join hands in identifying and implementing these remedies.

I. SOCIAL DEVELOPMENT AND POVERTY

6. The expert group considered the meaning of the term "social development", noting that it has several connotations. It is often used very broadly to refer to improvements in human well-being, with economic development considered as a means for social development. It is also used to refer to development that is not strictly economic or market-driven, including improvements in the quantity and quality of public or social services such as education, health, sanitation, access to clean water, and other goods and services that may be provided by public institutions. The group considered that it was not necessary or productive to agree on a precise definition, but rather that the diverse

meanings and ambiguity of the term should be recognized. It is, however, often useful, or even essential, to a productive discussion to clarify the sense in which the term "social development" is being used in a particular argument. In any case, however social development is conceived or defined, the reduction of poverty must be a central element.

7. The group noted that the world contained a vast range of wealth and poverty. In considering poverty and inequality, it is useful to consider various levels at which it can be examined and addressed. Thus, attention can be focused on differences between countries, between regions and between economic, ethnic, racial, cultural and religious groups within countries, as well as between individuals of a particular group. Based on comparisons of household income, inequality between countries is greater than inequality within countries. Indeed, by one calculation, differences between countries account for over 80 per cent of the global variation in household income. At the national level, inequality between individuals is substantially greater than inequality between regional, economic or other social groups. Specific strategies for reducing poverty are generally aimed at one particular level, focusing either on national socio-economic conditions, the conditions of particular socio-economic groups, or the conditions of individuals. It must be borne in mind, however, that intervention at one level will generally have an impact at other levels, and that these interactions need to be better understood and taken into account. The predominance of differences at the national level, at least as defined by household income, suggest that reducing world poverty depends primarily on promoting broad-based economic growth in the poorest countries.

8. The group noted that the traditional measurement of poverty based on household income posed certain problems. While families with adequate income can purchase many goods and services, including such basic needs as food and shelter, household income criteria neglect the importance of goods and services that are not paid for through household income but through taxes or other public means, often, though not always, including education, basic health care, clean water, sanitation, roads and a healthy environment.

9. An alternative approach to assessing poverty and inequality is to use direct measures of individual well-being, such as longevity, mortality, literacy and education. When used to compare the relative poverty of countries, this approach gives rankings that are different from per capita income rankings. Thus, some countries, such as Sri Lanka and China, have higher comparative levels of development by these measures than by income. A quantitative analysis of life expectancy in various countries underlines the limitations of income as the sole measure of development, indicating that life expectancy depends more directly on public health spending and the incidence of poverty than on average household income.

10. Furthermore, the household income approach does not measure unequal consumption of goods and services within the household. A number of countries, particularly in Asia, show substantial differences in longevity and mortality between males and females as well as anomalous sex ratios, indicating that girls and women are discriminated against within the household and hence suffer more deprivation than is indicated by household income. In most countries, girls

also receive substantially less education than boys, and women have much lower levels of literacy than men. This exclusion of girls and women from the social development process not only harms them directly, but also limits society's capacity for improving the well-being of everyone.

11. The group noted that poverty takes many forms at both the international and national levels, and programmes for reducing poverty generally focus on particular groups of poor people. The choice of the target group for a poverty-reduction programme depends not only on the conditions of various groups, but also on the policy options that are available for intervention. While there are a variety of politico-economic tools available for promoting national economic growth and for improving the conditions of particular socio-economic groups, targeting poor individuals within groups with many non-poor members is more difficult. In such cases, the benefits of poverty-reduction programmes have often gone disproportionately to non-poor members of the community. Promoting the socio-economic status of disadvantaged ethnic, cultural, occupational or religious groups is also difficult owing to a lack of effective and acceptable means of intervention. There is therefore a need to develop and evaluate new approaches to targeting poverty-reduction programmes on the poorest members of society and to develop approaches that reach as many poor people as possible while avoiding diversion of resources to the non-poor.

12. Improving the social and economic conditions of women can be particularly difficult to implement in practice because of the difficulty of intervening within the household. Furthermore, gender differences in socio-economic status, such as unequal education of girls, may be based on the practical economic needs of families and may be resistant to direct interventions such as easier access to schools. For such reasons, social conceptions of poverty may be more difficult to transform into policy recommendations than economic conceptions. In practice, labour-intensive economic growth has generally proved the most successful means for reducing poverty. None the less, techniques for intervening more directly to remedy social inequalities, for example, through targeted subsidies, are worth exploring and developing.

13. The group agreed that economic growth, particularly in the poorest countries, is essential to long-term social and economic development. In the short term, poverty can be reduced to some extent by redistribution, but poverty reduction is greatly facilitated when economic growth generates new resources that can be preferentially used to assist poor people. It was noted, however, that economic growth often occurs together with increases in poverty and inequality. Poverty reduction requires, therefore, not just aggregate economic growth, but economic and social policies that ensure that the benefits of growth are widely shared. However, the increases in oil prices and declines in commodity prices in the 1970s, followed by the debt crisis and continuing deterioration in the terms of trade in the 1980s, have severely disrupted the economic growth of many developing countries, particularly in Africa and Latin America, and have led to increasing poverty and inequality. Efforts are needed, therefore, at both the national and international levels, to find development policies that generate broad-based economic growth and expand social services, particularly for poor people. Improving social services, such as education and health care, is both an end in itself and a means to furthering economic growth.

14. It was agreed that lack of access to productive assets was clearly also a cause of poverty, but the implications of that fact were not always clear. Rural poverty in developing countries, for example, was related to landlessness, and land redistribution had been very effective in a number of countries in East Asia in the 1940s and 1950s. Subsequent efforts to introduce land redistribution programmes in other countries, however, had generally been unsuccessful. The successful programmes took place after social revolutions or national liberation, which provided a crucial political context for land redistribution. In the absence of such conditions, land redistribution normally encountered insuperable political obstacles and would probably require compensation, which would generally be economically unfeasible. None the less, given a strong political commitment, there was agreement that land reform still offered potential benefits for poverty reduction.

II. STRATEGIES FOR POVERTY REDUCTION

15. The discussion of strategies for reducing poverty centred on two basic objectives, labour-intensive growth and human resources development. The combination of these two objectives as the basis for poverty reduction was set forth in the World Bank's World Development Report, 1990 and is believed by the World Bank to be the most effective strategy for reducing poverty. Growth is considered essential in this strategy, but the pattern of growth is as important as the rate of growth. Efficient, labour-intensive growth is a key to providing jobs and raising incomes for the poor. Policies for promoting such growth include removing government controls on prices of agricultural products, reducing constraints on labour markets, maintaining a stable macro-economic environment, and liberalizing trade. Investing in people, through education, health care, including reproductive health, and nutrition, not only improves human welfare directly, but is also a sound investment. The World Bank strategy also included safety nets for the chronically poor and vulnerable groups.

16. While recognizing that labour is often the major economic resource of the poor, the group saw the need to broaden the first element of the strategy to encompass other considerations. In particular, broad-based, labour-intensive growth requires promoting the efficient use of other economic assets owned by the poor and expanding access of the poor to productive inputs. With respect to promoting the efficient use of assets owned by the poor, experience indicates the importance of avoiding excessive taxation of agriculture, providing strong support for rural infrastructure and making technological innovations available to farmers. In the urban sector, it is important to avoid severe distortions in the factor and product markets and to provide suitable infrastructure, both to improve the living conditions of the poor and to promote employment.

17. With respect to expanding the access of the poor to productive inputs, four elements were emphasized: (a) access to land should be improved by reforming property rights, land titles and registration; (b) credit should be made available to the poor through self-supporting mechanisms, rather than by subsidizing credit; (c) technological innovations should be promoted, with an emphasis on techniques appropriate for small farmers, and indigenous capacity for agricultural research should be developed; and (d) infrastructure

development should be delegated to the local level as much as possible, working through non-governmental organizations, private operators and local groups.

18. In terms of the implementation of the poverty-reduction strategy, a small project in Sri Lanka was used to illustrate two conclusions: the importance of building partnerships and alliances with a variety of organizations, and the benefits of independent, non-governmental activities based on community initiatives. Such community activities needed access to credit and training in practical skills.

19. Concerning the role of the State, the group noted the important role that the State plays in poverty alleviation, but also that Governments in many countries had limited capacities and were, in some cases, inefficient at providing local services to the poor. It was observed that the State plays a crucial role in managing the basic macroeconomic environment, setting in place the legal framework and investing in sectors where public goods are created. The group also noted the importance of the ongoing international trend towards democratization and the associated transformations in government systems towards better governance, transparency and accountability. There is a need to build appropriate institutions to support the democratization process and to build new partnerships and alliances among the government sector, the private sector and the non-governmental organizations. These transformations will not only improve the efficient functioning of government, but will also help build public confidence in the State. In practice, the role of the State is enhanced by its capacity to act and by the political support it enjoys. In this regard, administrative reforms that enable the civil service to function without partisan interference are important in building confidence in the State. Finally, the important role of citizens in keeping their Government accountable was recognized.

20. Land reform was seen by the group as playing an important role in providing assets to the poor and enabling poor households to break the cycle of poverty. However, it was recognized that there was a limit to which land reform could be imposed from the outside. The group noted that special historical conditions made possible the positive experiences of land reform in Japan, the Republic of Korea and Taiwan Province of China. Political realities were quite different in most countries today, and the key to land reform was not so much land registration or title changes, but rather policies that increase the use of land for broad-based labour-intensive growth. In the transition economies of Eastern Europe, land reform has a potential not only for poverty reduction but also for democratization. The group noted the positive experience of Albania, where the Government has distributed land free to 400,000 small farmers.

21. With respect to credit, the group agreed that improving access to credit was more important than reducing the cost of credit. Subsidized credit does not help poor farmers if they are not assured of access to it, while experience shows that farmers are willing to pay market rates for credit. It was noted that group lending practices had been successful in some countries, such as the Grameen Bank in Bangladesh.

22. Finally, the group recognized the need for an appropriate balance between investments in physical infrastructure and investments in human resources and

for planning and coordinating the sequencing of efforts in the two areas. Such planning is particularly important when countries are faced with critical funding constraints.

III. STRUCTURAL ADJUSTMENT AND POVERTY

23. The discussion of structural adjustment programmes and their impact on poverty began with a review of the substantial literature on the relationship between adjustment and poverty, beginning with the United Nations Children's Fund (UNICEF) publication Adjustment with a Human Face.

24. The literature highlights the difficult nature of the subject. The lack of reliable empirical data and adequate theoretical models makes it very difficult to assess the effects of structural adjustment programmes. The fact that countries have undertaken adjustment in the midst of many changes in the economic environment further complicates efforts to isolate the specific effects of adjustment policies. The continuing decline in commodity prices and the terms of trade of most adjusting countries, the recession in countries belonging to the Organisation for Economic Cooperation and Development (OECD), the droughts that have plagued many countries in Africa, and political conflict have all affected incomes and poverty during the 1980s and early 1990s.

25. A similar problem facing research on this issue is a lack of understanding of the effects on poverty of non-adjustment or of an alternative set of adjustment policy instruments - the counterfactual case. One useful approach is to compare what actually occurred during an adjustment period with theoretical analyses of what might have happened under different policy settings.

26. It was recognized that the interactions between poverty and adjustment are complex, in part because of the heterogeneity of poverty - poor people can be divided into a number of groups each gaining a living by different means - and in part because of the large number of policy instruments that make up a particular adjustment programme - devaluation, trade liberalization, price liberalization, public sector retrenchment, public enterprise reform, cost recovery in social services etc. These complexities make it difficult to gain a complete picture of how adjustment affects the poor and certainly cautions against overgeneralizing.

27. The literature highlights the need for continuing adjustment efforts, and for flexibility in adapting an adjustment programme in response to external events. The lack of data and certainty as to the precise economy-wide effects of adjustment resulted in mistakes being made, particularly in the early phases of the adjustment decade. But lessons have been learned, and it is recognized that adjustment must be a flexible and pragmatic process.

28. Understanding how adjustment affects poverty has been hampered by a lack of reliable data, especially at the household level and especially in Africa. Since theory is essentially neutral concerning the poverty effects of most macroeconomic policies, the question should be resolved by empirical studies. The World Bank programme on the Social Dimensions of Adjustment has gone some way towards filling data gaps, although these data generally have become

available only at the end of the 1980s or in the early 1990s. Much of the early literature was hampered by the fact that at the time it was too early to make judgements about the effects of the structural adjustment programmes. It is now generally acknowledged that adjustment requires a longer period than was originally thought, especially in the African context.

29. The early studies on adjustment and poverty adopted a modelling approach: analysing the main economic effects of adjustment in a computable general equilibrium (CGE) model and thereby identifying the effects on poverty. Some studies have suggested that the poverty effects of the economic shocks that gave rise to the financial crises were greater than the poverty effects of the adjustment policies. They have also suggested that the orthodox adjustment package generally favours the poor relative to non-adjustment and to alternative adjustment packages. However, the group noted the limits of the CGE approach: such models often fail to capture the long-run effects of policies on economic growth; they do not capture structural changes often introduced through adjustment programmes; they are designed to explain changes in the average earnings of economic groups and do not reveal changes in income distribution within those groups (the within-group income differences being generally greater than between-group differences in a country); the results are sensitive to model specification and closure rules, and there are doubts about how successful such models are in capturing the problems of the poorest groups in society, which are not part of the formal economy.

30. The limits of modelling highlight the need to return to the historical record. Improved data, especially in Africa, provide a basis for a review of country experiences with adjustment and poverty during the 1980s. A number of recent studies have been conducted on adjustment, many of which assess the effects on poverty. The World Bank has produced major reports on East Asia, Africa and Latin America and the Caribbean. Research on Africa has also recently been published by Cornell University. The literature review presented to the group focused on these reports.

31. The literature review indicated that South and East Asian economies suffered the smallest shocks, and adjusted very quickly to them. These were cases of pre-emptive adjustment. Growth was not seriously interrupted in these countries. Poverty reduction generally continued, following the trends that had been established in the 1970s, and inequality appears to have declined in some countries.

32. Latin America suffered greater shocks and began the 1980s with more economic and fiscal imbalances. Adjustment in the early part of the 1980s was disorderly, in part owing to failure to address adequately the debt problem, and attempts at heterodox policies generally did not produce the desired result. The persistently high rates of inflation in the early 1980s reduced real wages and increased poverty in the region. In the later 1980s, more orderly adjustment, control of inflation, and recovery in output resulted in increasing real wages and declining poverty. It is interesting to note that income inequality was counter-cyclical in the Latin American region: inequality (and poverty) increasing during the recession and decreasing during the recovery.

33. The analysis of the situation in Africa is complicated by the fact that the adjustment process remains far from complete, with many countries having persistent macroeconomic imbalances, and factor and product markets continue to be subject to substantial government intervention. The evidence suggests that, where adjustment policies were carried through, growth in production and exports was restored, though it is uncertain whether the recovery in economic growth will be sustained. The effects of these partial and patchy adjustment efforts on poverty have yet to be determined in any reliable way. The improved growth rates have certainly made a difference, but household survey evidence suggests that the responsiveness of poverty to increases in mean incomes is significantly lower in Africa than elsewhere. And economic growth rates have not been sufficient to reduce poverty in the region. What has yet to be established is whether recovery in economic growth in the region is associated with a narrowing of income distributions. If poverty is to be reduced in Africa, growth really has to be pro-poor in nature; the growth in the incomes of the poor must be far greater than that of the non-poor.

34. In assessing the effects of adjustment policy, the importance of controlling for other factors is illustrated by the case of Zambia. The adjustment programme in Zambia was initiated in 1986 at a time when the terms of trade had declined markedly, leading to declines in gross domestic product (GDP). In 1988, when the adjustment programme was abandoned (and donor support withdrawn), copper prices were high and growth recovered. But the recovery appears to be due to the movements in international prices, independent of adjustment policies.

35. The group emphasized that the analysis of data on poverty in Africa should involve African researchers and policy makers, and their capacity to undertake this work should be strengthened. Given the difficulty in conducting household surveys, some participants felt that emphasis should be given to developing proxy indicators for monitoring poverty. Such indicators, including relative prices of basic goods and services and their changes over time, should complement periodic household surveys.

36. The group distinguished between the short- and the long-run effects of adjustment on poverty. In the long run, adjustment can be considered a necessary though not sufficient condition for poverty reduction, since it lays the basis for sustained and broad-based growth. In the transition to that growth, however, there can be difficulties for poorer groups. While adjustment programmes in some African and Latin American countries have raised growth rates, these increases in GDP do not necessarily reflect sustained growth, but may be due largely to improved utilization of existing capacity. It is too early to judge whether sustained growth is occurring, especially in Africa, even in successful cases such as Ghana. The persistently low levels of private investment in Africa are a cause for concern.

37. Resolution of the debt problem was identified by the group as critical to sustained growth and poverty reduction, especially in Africa. The debt overhang is a major impediment to the ability of Governments to maintain fiscal and external balances. Yet the current provisions for debt relief are not sufficient to reduce the debt burden in the foreseeable future. Calls were made for increased relief, including debt forgiveness. The view was expressed that

there was a distinct asymmetry in global adjustment, with the developing countries being required to adjust to changing external circumstances that were largely determined by the developed countries, while there was little or no international pressure on the developed countries to adjust. The view was also expressed that longer adjustment periods, supplemented by adequate external financing, were needed to ease the burden of adjustment on the poor in adjusting countries.

38. Many participants considered that adjustment had increased poverty in the short term - if not in general - among certain groups of poor people, such as the urban poor. A clear need was seen to make provision in adjustment programmes to protect such groups and to integrate social dimensions into the adjustment process.

39. The need for a better understanding of the coping mechanisms of the poor was emphasized. In Zambia, for example, the poor have been found to turn to begging and to charcoal burning as mechanisms of coping with the downturn in their income-earning opportunities. Observations of an increase in such coping strategies provide an indicator of poverty and indicate that in Zambia economic suffering has increased. On the other hand, it was emphasized that adjustment to the economic shocks of the 1970s and 1980s inevitably involved a certain degree of suffering. The challenge was to protect the poor from increased suffering as a result of adjustment. It is uncertain whether for most countries the suffering today is greater than that of the early 1980s when incomes were falling rapidly.

40. Whatever the causes of current suffering, it is clear that it makes adjustment all the more difficult. The social, economic and political contexts in which adjustment must be carried out make the design of adjustment programmes extremely difficult and complicated. Governments face the difficult task of navigating a course in which there is little room for manoeuvre, seeking to achieve growth, improved welfare for the poor and political stability.

41. The early literature on adjustment and poverty, such as the UNICEF study, was focused on the first round of adjustment programmes. It should be noted, however, that the design of programmes has evolved over time, with increasing attention to the social dimensions. There is still room for improvement, however, in integrating such concerns into adjustment operations. Where such provisions are made, the poor are protected to a certain extent.

42. Whereas there is a consensus on the need for adjustment, the precise content of the policy packages needed to achieve growth and equity objectives continues to be a matter of debate. Most experts agree that Governments must respect key macroeconomic fundamentals, but there is no unanimity on many other components, such as the pace of trade liberalization and the continuing role of Government in dealing with market limitations or failures. The importance of involving the informal sector in the recovery and in long-term growth was also emphasized, and questions were raised about whether the design of adjustment programmes encouraged such involvement.

43. The group emphasized the need for adjustment policies to be home-grown - to be the product of national consensus-building. This requires the active

involvement of trade unions and other non-governmental organizations in the design of the programmes. The need to strengthen the capacity of Governments to design and implement their own policies was emphasized. The pressure for effective and sustainable economic management should come from within the region in general, and in particular within the countries themselves, rather than from the international donor community.

44. Finally, it was recognized that while adjustment has brought poverty back to the centre of the policy debate, poverty reduction requires long-term interventions. Adjustment is only a necessary condition for long-run poverty reduction, and countries must be encouraged to return to the challenges of long-run growth and development. The World Bank, for its part, is continuing to emphasize its project lending, and is seeking to raise the share of the social sector (education and health) in such lending. This fundamental work must continue.

IV. PROTECTING VULNERABLE GROUPS

45. The discussion was opened with an overview of the issues relating to safety-net interventions for protecting the poor, particularly during transitions. Three vulnerable groups were noted: (a) the chronically poor, (b) the temporarily poor and (c) those groups directly hit by adjustment or transition, who may or may not be poor. It was recognized that macro-economic policy changes might have adverse short-term impacts on households belonging to all three groups, although it would be empirically difficult to identify those specifically affected by adjustment within each of the first two groups. The third group, however, could be identified more easily. In most of Sub-Saharan Africa, the vast majority of those adversely affected by adjustment would be found in rural and urban informal sectors and among marginal farmers. In South Asia, the majority of the landless poor in rural areas and the urban poor, such as construction workers and slum dwellers, are the worst affected. In the countries in transition, pensioners and the long-term unemployed are the hardest hit by inflation and decreasing job opportunities.

46. A variety of cash and in-kind transfer policy instruments are available to countries for cushioning the adverse effects of shocks, including family allowances, cash compensation for loss of subsidies, and different types of consumer subsidies. Some countries have also used "social funds" for channelling assistance to the poor, and public works have been used to protect people from falling into poverty.

47. The choice between various policy instruments depends on country circumstances, though certain general principles can be recognized. In general, cash transfers are to be preferred to in-kind transfers because the former avoid product and factor market distortions. In some situations, in-kind transfers are to be preferred where the good in question is a public good with particular benefits for the poor, or where competitive markets for that good are absent; in energy, for example, where economies of scale might preclude more than one supplier. However, practical considerations may often dictate the choice. Thus, when inflation is high, the real value of cash transfers is quickly eroded so that in-kind transfers may be necessary until prices are stabilized.

48. Two issues were seen as being of critical importance: (1) targeting and coverage, and (2) financing. All targeted programmes involve a trade-off between the desire to cover all the poor, and the inefficient use of resources if programme benefits go to the non-poor. Moreover, it is important to avoid introducing disincentives for work for those just above the income threshold for benefits. While targeted approaches are desirable, they are not always feasible for a variety of reasons, including political requirements for including vocal and organized (though not necessarily poor) groups. Domestic financing of safety-net programmes is to be preferred, unless extreme circumstances warrant temporary donor financing. When fiscal deficits are a problem, the need to reduce untargeted entitlements must be balanced against the need to provide assistance to the poor. Furthermore, the total cost of transfers needs to be limited to ensure adequate investments for economic growth. Also, high transfers would require high taxation which would have a potential for work disincentives.

49. Some lessons were drawn from available country experience. First, it is important to integrate safety-net programmes into economic reform programmes instead of introducing them as "add-ons" after the reform is initiated. Secondly, safety-net programmes should build on and complement existing formal and informal arrangements within the society. Thirdly, safety nets should, to the extent possible, provide temporary assistance to help those in need become self-supporting. Fourthly, where benefits are targeted, and where central or local governments have limited capacities for managing the programme, local communities and non-governmental organizations can be useful for channelling assistance. Fifthly, safety nets should be financed from domestic resources to ensure sustainability. Finally, social funds and public works programmes can serve valuable safety-net functions.

50. While noting the importance of safety-net programmes during transitions, the group felt that such programmes were required more broadly, and particularly for chronically poor households on a long-term basis. The group, however, did not consider the fiscal implications, or the implications for work effort, of extending the safety nets on a long-term basis to all poor households. Safety nets should take cognizance of the dual nature of many economies and help promote informal sector activities. The group emphasized that programmes that promote or create productive work not only protect but also empower the poor. In some countries, for example Zambia and Somalia, women have benefited proportionately more than men from such programmes. The group also noted the experience of Zimbabwe's Social Development Fund. In the choice between cash and in-kind transfers, the group noted that cultural factors may be important and should be taken into account in programme design. In some cases, for example, in-kind transfers such as food subsidies have effectively benefited women, while cash transfers were generally controlled by men. Payment of wages in kind, such as food, was one of the reasons why many women were attracted to food-for-work programmes. Moreover, food-for-work programmes not only support poor people during times of economic stress, but also build valuable infrastructure such as schools and clinics, and improve family nutrition. The group felt that in planning targeted benefits, households should be categorized according to intensity of poverty, with assistance focused on the ultra-poor. The group also felt that, while in principle it was desirable that public transfers should complement rather than replace private transfers, some

replacement could not be avoided in practice. It was noted that even public works might substitute for some private income transfers.

V. POPULAR PARTICIPATION AND THE ROLE OF NON-GOVERNMENTAL ORGANIZATIONS

51. The discussion on participatory approaches to the design and implementation of poverty-reduction programmes focused on three questions: (a) conditions for increasing popular participation in development and poverty reduction; (b) conditions for the participation of non-governmental organizations in the national development process; and (c) conditions for the participation of non-governmental organizations in international development activities.

52. The group agreed that popular participation in community and national development programmes and planning was both an end in itself and a means to social and economic development and poverty reduction.

53. Experience has shown that in order to promote popular participation in development, non-governmental organizations must operate in a professional manner, making use of the lessons derived from past experiences of community organization and development efforts. They should concentrate, particularly in the early stages, on assisting and educating people, without overloading their agendas with conflict-generating issues. Community organization requires winning the full trust of the members of the community, who should ultimately take control of the organization and select their own leaders and organizational structure.

54. Community organization activities should be based on an equitable distribution of economic benefits and power and should provide individuals and groups with opportunities to improve their social and economic status. Community development organizations should work to reduce their dependence on external resources, using external resources as investments to strengthen their internal capacities for the fight against poverty.

55. In order to integrate community development activities into the national development process, non-governmental organizations should operate in a transparent manner, particularly concerning financial matters, and should be accountable both to their constituencies and to civil society in general so as to be a trusted partner in development. To have a credible voice in national development discussions, non-governmental organizations should establish a clear legitimacy to speak for the target groups they work with. It was emphasized that non-governmental organizations should coordinate their work with other organizations, including government agencies, political parties, trade unions and savings groups.

56. Non-governmental organizations are most effective when they have a strong commitment to specific goals such as famine relief, formal or informal education, training in practical skills, or advocacy in such areas as human rights, good governance or access to public services. The organizations should recognize that in working towards these goals, their role should be primarily motivational and promotional in establishing bases for social development.

57. Non-governmental organizations have important roles to play in both emergency relief and long-term capacity-building, and they need to find a balance between the two roles. In both cases, but particularly in the long-term function, they must involve the people they are working with in defining the problems, identifying solutions and implementing, monitoring and evaluating their programmes.

58. The group noted that non-governmental organizations often have the ability to reach poor people more quickly, flexibly and easily than governmental or intergovernmental agencies, making them particularly effective in the fight against poverty. Governmental and international agencies should therefore establish working relationships with non-governmental organizations in order to more effectively strengthen communities, community organizations and grass-roots networks. Governments should avoid subjecting non-governmental organizations to strict controls that would limit their efficiency or effectiveness. However, it was also noted that non-governmental organizations also had problems in reaching the poorest of the poor and in ensuring the sustainability of their projects.

59. It was felt that greater efforts should be made to promote "bottom-up" approaches to social development and poverty reduction rather than the more common "top-down" approaches. The two approaches should be complementary, but community initiatives should be given priority in developing new social policies. Non-governmental organizations can play a critical role in representing the interests of the poor in national economic and social policy-making. Non-governmental organizations can also make important contributions by monitoring government policy-making and assessing how those policies will affect the groups they work with. Government policy makers and non-governmental organizations should work together to ensure that sectoral and macroeconomic policies involve poor people and reflect their needs.

60. The group noted that efforts to empower poor people are likely to create local conflicts to the extent that the community consists of different groups with competing interests. Community organization should therefore include efforts to identify, analyse and resolve or manage such conflicts. Efforts may also be needed to ensure that community capacity-building and democratization efforts give rise to a minimum of conflicts between communities and government agencies and to ensure that participatory development contributes to both national and community objectives.

61. Popular participation and the work of non-governmental organizations are part of a process of developing civil society as an active participant in political and economic processes. In the light of the rapid political and economic changes in the world today, the international development crisis, particularly with respect to Africa, and the problems involved in trying to apply Western political models to non-Western countries, there is an urgent need to strengthen the dialogue between different actors in the development process in developing countries. The various organizations of civil society have a vital contribution to make to that process.

62. There was some concern in the group about the recent trend towards anti-state economic philosophies and neo-liberal ideologies of deregulation. While the resulting emphasis on the contribution that non-governmental

organizations can make is welcome, this should not be an obstacle to improving the role of Governments and intergovernmental organizations, including the United Nations system, in the social and economic development process.

63. It was felt that global governance should be based on a broad concept of civil society including Governments as well as other actors and interest groups. There is a need to re-establish broadly participatory political cultures with commitments to common ethical principles and values and an understanding of development as a political process. In this process, non-governmental organizations have an important advocacy role to play at the international level and, in particular, should participate actively in the 1995 World Summit on Social Develcpment, including the preparatory work and the implementation of its decisions and recommendations.

VI. THE EXTERNAL ENVIRONMENT

64. The group noted that the past two decades have seen a substantial decline in the economic growth rate and increasing poverty in most developing countries, increasing unemployment in both developed and developing countries and growing global inequality. The incidence of poverty has grown particularly rapidly in sub-Saharan Africa, and that region has become increasingly marginalized in the world economy. While these developments are in part determined by national policies, they are also affected by the international environment, as is indicated by the trends that are common to particular regions and subregions. The oil shocks, world commodity-price fluctuations and regional droughts are the most dramatic changes in the world environment that have disrupted social and economic development.

65. It was noted that recent trends towards the liberalization and globalization of markets have made national economies more susceptible to fluctuations in world market prices and to competition from other countries. Improvements in telecommunications have increased the flow of information and financial resources between countries. These factors have affected job security, wages and working conditions in both developed and developing countries. International flows of people have also increased, including both economic migrants in search of better opportunities and refugees fleeing from violent conflicts.

66. These rapid changes in the international environment have created great difficulties for developing countries in their efforts to develop and implement policies for stable and sustained development and poverty reduction. In developing countries, sustained reduction in poverty will require economic growth of at least 4 to 5 per cent per year and distributional policies that ensure that poor people are the main beneficiaries of that growth. Particularly for the smaller and least developed countries that are most dependent on international exchange, meeting those goals will depend on a favourable international economic environment.

67. A need was therefore seen for cooperative and coordinating mechanisms at the international level for social issues, to complement the role of international financial, economic and trade organizations. The need for a

growth stimulus from the developed countries was noted as beneficial for developing countries, and several possibilities were mentioned for mobilizing resources on a large scale for developmental purposes, such as taxes on oil or international financial transactions. International efforts are required to create a more stable international economic environment in order to allow adjustment while protecting poor and vulnerable people.

68. Regional and subregional cooperation was also mentioned as a way to promote trade, production and development. Economic cooperation zones in different subregions of Africa and Latin America, for example, could expand markets for the benefit of both producers and consumers and stimulate economic growth.

69. It was noted that the external environment consists not only of economic and political institutions and practices, but also of beliefs, values and ideologies that achieve international influence. For example, in many parts of the world, recent years have seen a growing belief in market forces and democracy and a declining belief in socialism and communism. New systems of efficient management and intensive competition are also influencing the environment in which economic and social institutions and people function. While there is a good deal of debate and study on the international political and economic environment, there is less understanding of the international cultural environment and its causes and effects. Science and technology are also becoming ever more global, and rapid technological change puts continuing pressure on national economic and social structures. Other changes in approaches to development include reductions and shifts in official economic assistance and an increase in activity by non-governmental organizations.

70. Considering the importance of the international environment, particularly for the developing countries and the least developed countries, participants felt that there was an urgent need to strengthen the North-South dialogue. Issues that need to be addressed include the international monetary system, the large and rapid international flows of money, the continuation of the debt crisis for many countries, particularly in Africa, and the stabilization of commodity prices. The group noted the proposal to write off all of the external debt of the low-income countries and one third of the debt of the middle-income countries. There was agreement that the United Nations system has an important role to play in coordinating the development of international policies and cooperative activities relating to international finance, economic cooperation, international trade and social development.

71. It was noted that recent years have seen an increase in ethnic conflicts which in some cases have caused total social and economic breakdown. While most of these conflicts are national, their continuation or resolution generally depends on the international environment as well as on national factors. In particular, economic assistance for reconstructing the society and addressing economic inequalities and conflicts between the groups can play a vital role in bringing the parties to a peaceful settlement. International intervention in such conflicts, however, whether for peace-making during the conflict or for reconciliation and reconstruction after the conflict, is currently organized on an entirely ad hoc and unpredictable basis. The resolution of such conflicts could be facilitated by a more predictable and reliable international response.

72. The sub-Saharan countries of Africa face a particularly difficult situation with regard to social and economic development owing to problems of low commodity prices, debt, drought and other external and internal factors. In addressing these problems, it was agreed that the African countries must develop their own development policies and priorities, but the international community also bears a major responsibility for supporting the development of the region.

Appendix

EXPERT MEETING ON POVERTY

(Lusaka, Zambia, 27-29 June 1994)

List of participants

K. Y. Amoako (World Bank)

Sudhir Anand (India)

Arsenio M. Balisacan (Philippines)

Ralph Chipman (United Nations)

Lionel Demery (World Bank)

Lual Deng (African Development Bank)

Iqbal Haji (United Nations)

Lul Hassan (United Nations)

Rainer Lingscheid (Germany)

Elene Makonnen (World Bank)

Micheline Massabni (UNCTAD)

Oey Astra Meesook (World Bank)

Anselm Mukwewa (Zimbabwe)

Ben Mweene (Zambia)

Om Nijhawan (India)

Jon Pedersen (Norway)

Sehoai Santho (Lesotho)

Venkatesh Seshamani (Zambia)

Kalanidhi Subbarao (World Bank)

Dashimir Shehi (Albania)

Hamid Tabatabai (ILO)